LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6439
BILL NUMBER: SB 378

NOTE PREPARED: Dec 23, 2014
BILL AMENDED:

SUBJECT: Renewable Energy Standards.

FIRST AUTHOR: Sen. Stoops
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires an electricity supplier to supply a certain percentage of its total electricity supply from renewable energy resources. It establishes the Renewable Energy Resources Fund to receive penalties paid by electricity suppliers that fail to supply electricity from renewable energy resources. It also continuously appropriates money in the fund.

The bill requires the Indiana Utility Regulatory Commission to adopt guidelines to assist electricity suppliers that participated in the Voluntary Clean Energy Portfolio Standard Program in complying with the new renewable energy standards. It repeals IC 8-1-37 (the Voluntary Clean Energy Portfolio Standard program).

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Indiana Utility Regulatory Commission (IURC)*: This bill could increase the administrative expenditures of the IURC. The bill requires the IURC to adopt rules to address the establishment of a program for the certification and trading of renewable energy credits, and to adopt guidelines to assist electricity suppliers that participated in the Voluntary Clean Energy Portfolio Standard Program that is repealed by this bill. The IURC is also required to submit a report to the General Assembly that includes an analysis of legislative proposals that the IURC believes would increase the effectiveness of industry compliance with the provisions of the bill.

There could also be an increase in IURC expenditures to the extent that the IURC conducts public hearings required for making a determination that an event beyond the reasonable control of an electricity supplier prevented that supplier from fulfilling the supplier's renewable energy resource requirements. Increases in expenditures could be offset by public utility fees.

Indiana Economic Development Corporation (IEDC): The bill provides that the IEDC must administer the Renewable Energy Resources Fund (established in this bill). The increase in expenditures to the IEDC from this provision may be offset by the required reimbursement from the fund. The bill provides that the cost of administering the fund may not exceed 10% of the balance in the fund.

Additional Information - The operating budget of the IURC is funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the agency's budget, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.12% of their gross intra-state operating revenues to fund the IURC.

Explanation of State Revenues: *Renewable Energy Resources Fund*: The bill requires electricity suppliers that do not meet the renewable energy resource requirements in the bill to pay a penalty equal to the number of megawatt hours of renewable energy that the electricity supplier was required to, but failed to supply, multiplied by $50. The penalties would be deposited in the Renewable Energy Resources Fund.

The amount of the penalty collections will depend on the number of electricity suppliers: (1) that fail to meet the bill's requirements; and (2) that were prevented from meeting these requirements due to events out of the control of the supplier. If the electricity supplier failed due to events out of the supplier's control, the IURC may reduce the electricity supplier's renewable energy obligations.

Utility Rates: This bill does not allow for cost recovery of program costs while the current program, the Voluntary Clean Energy Portfolio Standard Program, does. Also, the program provided by this bill requires electricity suppliers to meet certain renewable energy resource percentage goals while the program being repealed is voluntary. To the extent that utility rates are impacted as a result of the renewable energy resource requirements in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections.

Additional Information - The current program, the Voluntary Clean Energy Portfolio Standard Program (repealed by this bill) provides for a periodic rate adjustment mechanism of all just, reasonable, and necessary program costs incurred by a participating electricity supplier in constructing, operating, or maintaining facilities that generate clean energy that is used by the participating electricity supplier in its efforts to meet a goal set forth in the program.

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales tax revenue is deposited in the state General Fund (98.848%), the Motor Vehicle Highway Account (1%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

The bill repeals the Voluntary Clean Energy Portfolio Standard Program, which is a financial incentive program for supplying electricity generated from clean energy resources. An electricity supplier that seeks to participate in the program must submit an application to the IURC showing a reasonable expectation of being able to supply at least 10% of its electricity from clean energy by December 31, 2025. Current law provides that the IURC approve applications if they determine that approval will not result in an increase in utility rates above what could reasonably be expected if the application were not approved. Also, the IURC must require that at least 50% of the clean energy obtained by the electricity supplier to meet the energy requirements of its Indiana retail customers must originate from clean energy resources located in Indiana.

The following table compares the renewable energy goals provided in this bill to the goals provided under the Voluntary Clean Energy Portfolio Standard Program.

Time Period	Renewable Energy Standard Goals for Electricity Supply	Current Voluntary Clean Energy Portfolio Standard Goals for Electricity Supply
Calendar Year 2015	5%	4%
Calendar Year 2016	7%	4%
Calendar Year 2017	9%	4%
Calendar Year 2018	11%	4%
Calendar Year 2019	13%	7%
Calendar Year 2020	15%	7%
Calendar Year 2021	17%	7%
Calendar Year 2022	19%	7%
Calendar Year 2023	21%	7%
Calendar Year 2024	23%	7%
Calendar Year 2025	25%	10%

The bill defines electricity supplier as a public utility that furnishes retail electric service to the public, not including rural electric membership cooperatives (REMCs) or municipally owned utilities.

Explanation of Local Expenditures:

Explanation of Local Revenues: If utility rates increase a result of this bill, there could be an increase in local revenues to the extent that a local unit receives distributions from sales tax revenue.

State Agencies Affected: Indiana Utility Regulatory Commission; Indiana Economic Development Corporation.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Jessica Harmon, 317-232-9854.